

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1540 - SB 2518**

February 18, 2018

**SUMMARY OF BILL:** Authorizes retailers to sell or give away alcoholic beverages during the hours which beer may be sold in the jurisdiction where the retailer is located.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – Exceeds \$2,883,800**

**Increase Local Revenue – Exceeds \$1,019,600/Permissive**

**Assumptions:**


- Any impact on licensing or enforcement by the Alcoholic Beverage Commission (ABC) will be not significant.
- Retailers will be authorized to sell alcoholic beverages including wine on Christmas, Thanksgiving, Labor Day, New Year's Day, the Fourth of July, and all Sundays during hours authorized by local ordinance.
- Based on information from the Department of Revenue (DOR), sales tax collections from liquor stores in FY15-16 were \$66,088,455. Based on the added availability of wine in retail food stores as of July 1, 2016, and regular growth rates, under current law the total sales tax collection from the sales of packaged alcoholic beverages is reasonably estimated to exceed \$72,000,000 in FY18-19.
- Estimates of increases in sales of alcoholic beverages in states where Sunday sales prohibitions were repealed range from three to five percent.
- It is reasonably estimated that sales will increase statewide by an amount exceeding three percent.
- State sales tax collections will increase by an amount estimated to exceed \$2,160,000 (\$72,000,000 x 3.0%).
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring increase in local revenue from the state-shared allocation is estimated to be \$78,127 (\$2,160,000 x 3.617%).
- The recurring increase in state sales tax revenue is estimated to be \$2,081,873 (\$2,160,000 - \$78,127).
- The average local option sales tax rate is 2.5 percent statewide, or approximately 35.714 percent (2.5 / 7.0) of the state sales tax rate.

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- The permissive recurring increase in local option sales tax revenue is estimated to be \$771,422 ( $\$2,160,000 \times 35.714\%$ ).
- Alcoholic beverages are taxed additional excise taxes per gallon based on the type of alcohol.
- Based on information from the DOR, additional tax collections from such taxes will equal approximately 45 percent of state sales tax collections.
- The total recurring increase in alcohol excise tax collections is estimated to exceed \$972,000 ( $\$2,160,000 \times 45.0\%$ ).
- Pursuant to Tenn. Code Ann. § 57-3-306, such excise tax collections are distributed 82.5 percent to the General Fund and 17.5 percent to counties.
- The recurring increase in state alcohol excise tax revenue is estimated to exceed \$801,900 ( $\$972,000 \times 82.5\%$ ).
- The permissive recurring increase in local alcohol excise tax revenue is estimated to exceed \$170,100 ( $\$972,000 \times 17.5\%$ ).
- Sales of alcoholic beverages may cannibalize some sales of beer on Sundays and holidays; however, there will be an increase in beer sales at stores currently closed on Sundays and holidays that will now open on such days. The net impact on sales of beer is estimated to be not significant.
- All other impacts on tax collections related to sales of alcoholic beverages, beer, complementary goods, and business related taxes are estimated to be not significant.
- The total recurring increase in state revenue is estimated to exceed \$2,883,773 ( $\$2,081,873 + \$801,900$ ).
- The total permissive recurring increase in local revenue is estimated to exceed \$1,019,649 ( $\$78,127 + \$771,422 + \$170,100$ ).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb